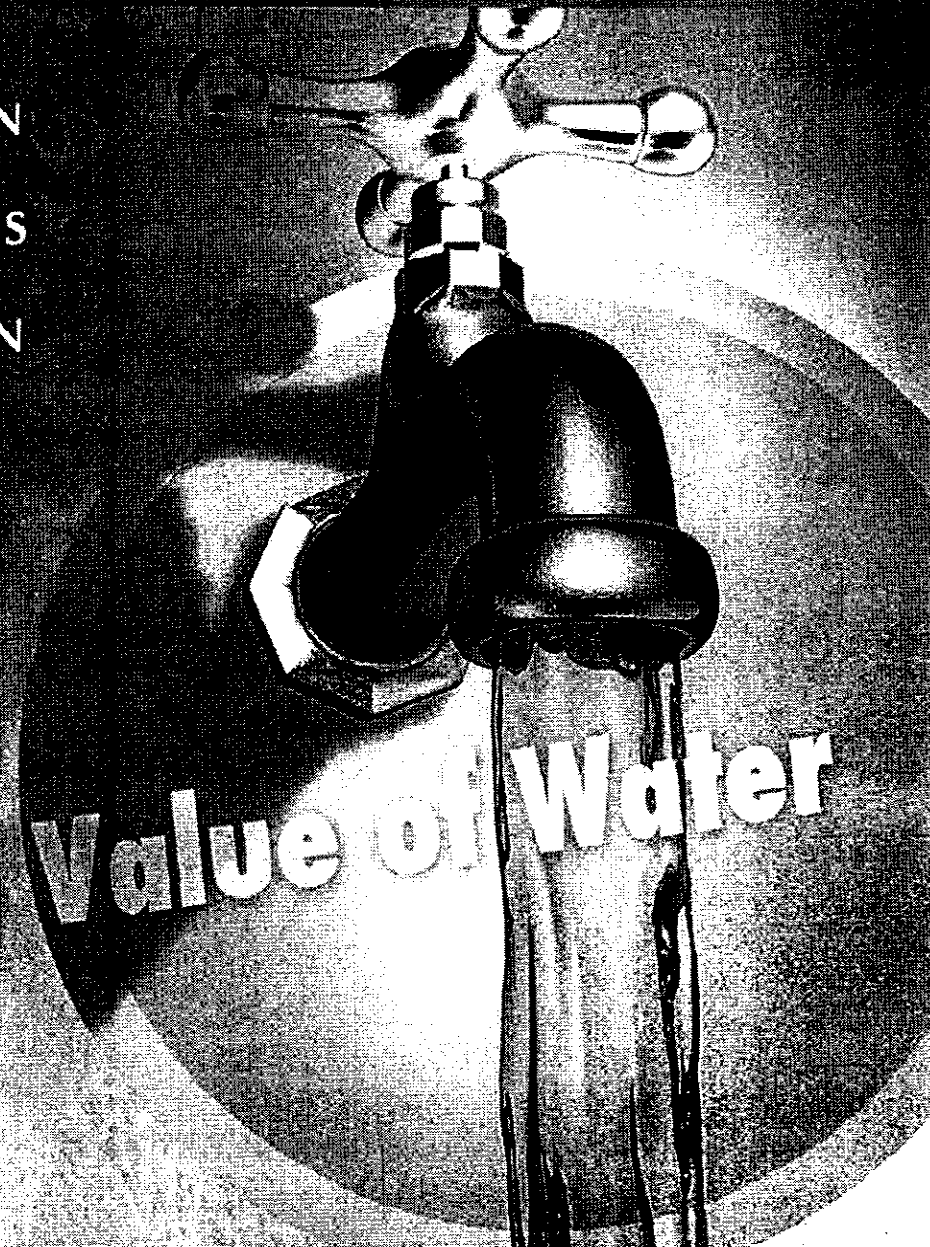


2 0 1 3 ANNUAL REPORT

ARTESIAN
RESOURCES
CORPORATION



The Value of Water

*Artesian's Commitment
to Excellence and
Innovation in delivering
High Quality Water and
Wastewater Service puts
us at the forefront of ensuring
a sustainable water future for
our Customers and our Communities.*



WATER

OUR WATER. OUR FUTURE.

Of all of your needs, water is the single most important. It is a life essential resource. You need it everyday for almost everything you do.

Though water itself is "free", the substantial infrastructure required to deliver it safely, cleanly and reliably is anything but that.

The water from your tap is something you borrow—it eventually ends up back in the water cycle. But keeping this borrowed water clean does require effort, and at Artesian we have a responsibility to future generations to ensure they continue to receive clean, safe water.

Managing water is a growing concern in the United States. Communities across the country are starting to face challenges regarding water supply and a need to update aging water treatment and delivery systems, often referred to as "water infrastructure".

Water infrastructure is the foundation of a healthy society. We at Artesian, have been proactively addressing this need. Water infrastructure directly impacts the public health and safety of our community. Whether it's safe drinking water at the tap in our home or clean water coming out of a wastewater treatment plant, a healthy water infrastructure means healthy customers and healthy communities.

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For more information about
Artesian Resources Corporation,
please visit us at:

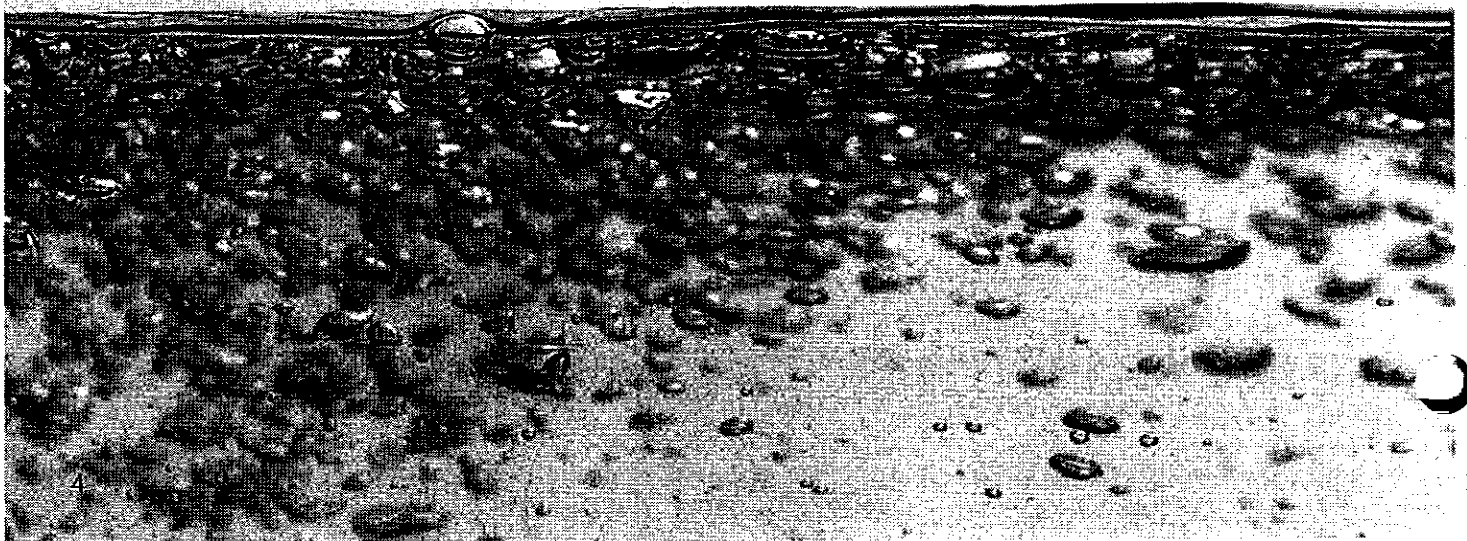
artesianresources.com

COMPANY OVERVIEW

It all started in 1905 when Aaron K. Taylor began to supply a new housing development in New Castle County, Delaware with water that ran directly into homes; and so Artesian Water Company was formed. From small beginnings as a local water company to today as a total water resource management company, Artesian has flourished and is now the largest investor owned water utility on the Delmarva Peninsula and the eighth largest in the nation.

Since 1905 we have expanded our territory and now provide water and wastewater solutions to the state of Delaware and water supply to nearby Cecil County, Maryland. We are engaged in a wide variety of activities from identifying new sources of supply to developing wells, treatment plants and delivery systems to planning, building and managing responsible wastewater treatment systems. We not only serve our customers but we serve our communities as well through our employee involvement with various charities throughout our service area.

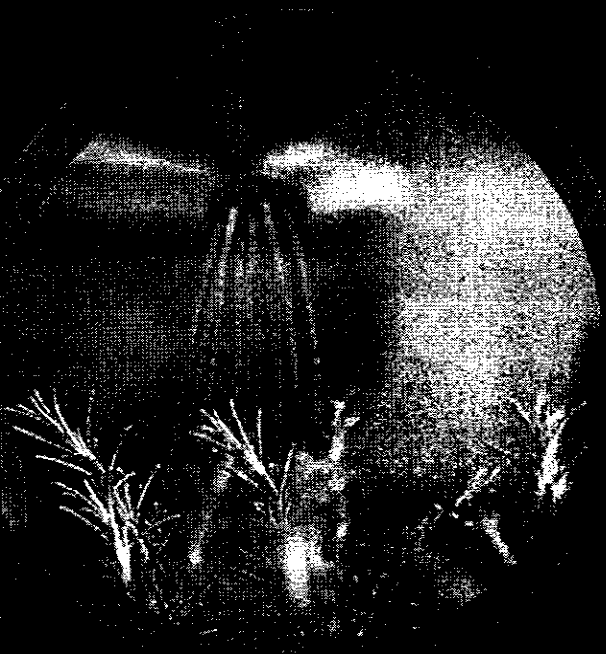
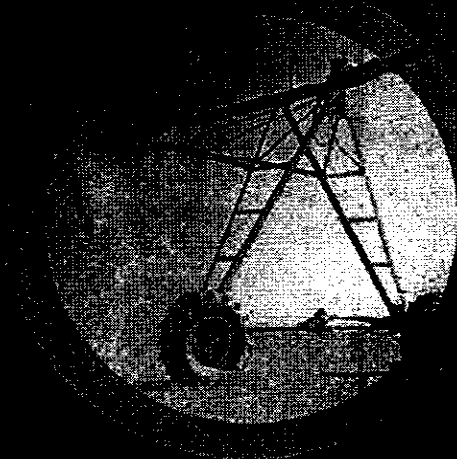
We are dedicated to our mission to provide our customers with the very best service possible.



GROWTH HIGHLIGHTS

Artesian recorded many accomplishments in 2013, most notably:

- Invested \$21.2 million in infrastructure
- Increased stockholder dividend twice
- Installed a solar panel system at our Hyetts Corner facility
- Completed the transition to a new Customer Care and Billing system to better serve our customers
- Completed eleven water main renewal projects
- Replaced four wells with high efficiency wells
- Recognized by the Better Business Bureau as an ethical business
- Featured article in the Spring 2013 issue of Chesapeake Magazine
- Received approval from the Delaware Public Service Commission to increase wastewater rates
- Began contract operations with the Town of Frankford, Delaware
- Completed interconnection with Chesapeake City, Maryland making Artesian the sole supplier of water to the town and surrounding area
- Began plans for construction of new main and booster station to supply water to the expansion of a nearby shopping mall and to provide an additional feed to Christiana Hospital



FINANCIAL HIGHLIGHTS

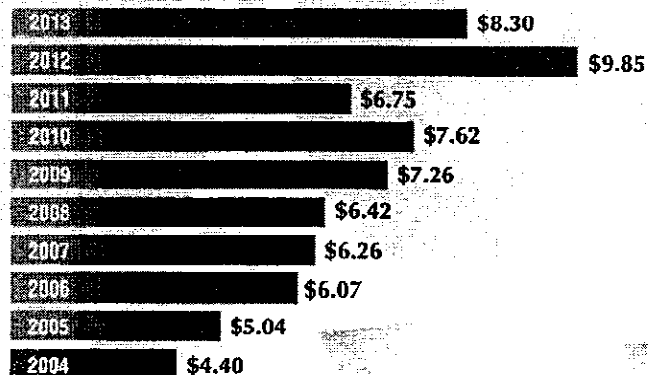
For the year ended December 31

in millions except per share amounts	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues	\$69.07	\$70.56	\$65.07	\$64.89	\$60.91	\$56.19	\$52.52	\$48.59	\$45.29	\$39.58
Operating Expenses	\$54.59	54.71	51.33	50.62	47.27	44.28	40.76	36.79	34.64	29.71
Operating Income	\$14.48	15.85	13.74	14.27	13.64	11.91	11.77	11.80	10.64	9.87
Net Income	\$8.30	9.85	6.75	7.62	7.26	6.42	6.26	6.07	5.04	4.40
Net Income Per Common Share - Diluted	\$0.94	1.13	0.83	1.00	0.97	0.86	0.90	0.97	0.81*	0.72*
Cash Dividend Per Common Share	\$0.82	0.79	0.76	0.75	0.72	0.71	0.66	0.61	0.58*	0.55*
Rate Base	\$225.10	\$220.05	\$214.42	\$210.23	\$209.03	\$201.54	\$180.15	\$169.60	\$161.66	\$152.45

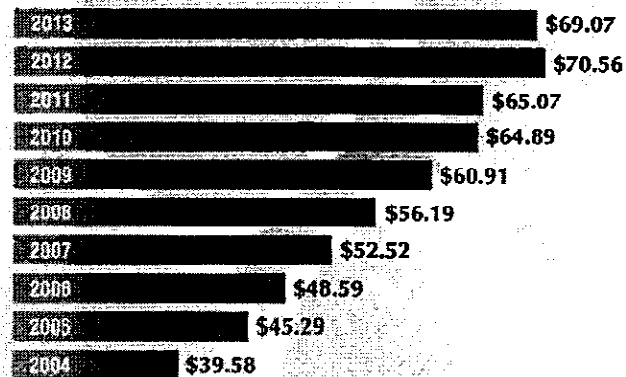
*Restated for the stock split effective May 30, 2003



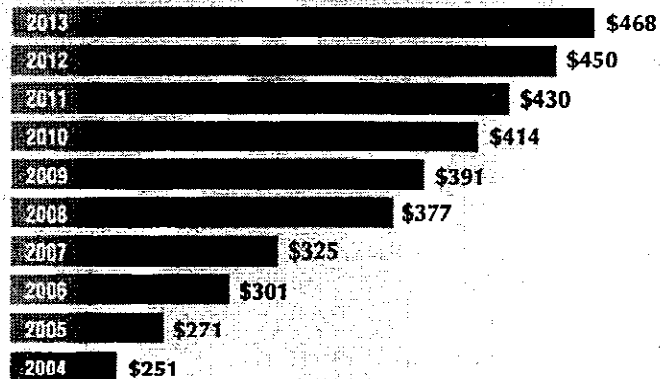
Net Income (in millions)

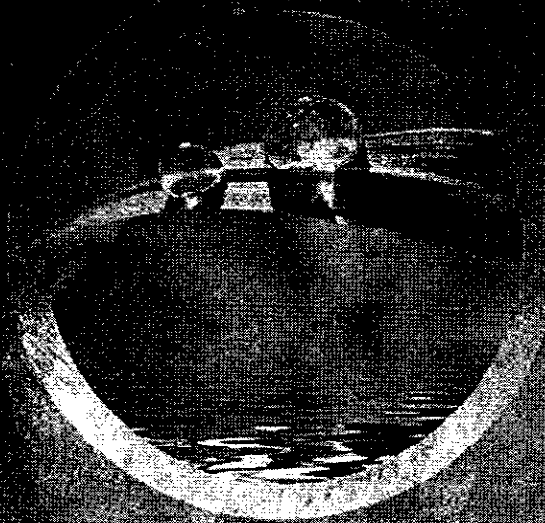


Operating Revenue (in millions)



Utility Plant at Cost (in millions)





Dian C. Taylor
Chair of the Board
President & CEO

DEAR

SHAREHOLDERS

Delivering Value to our Shareholders

Although very wet weather last spring and summer reduced our revenues, that did not keep us from making the investments necessary to ensure continued superior service for our customers. During 2013, we invested \$21.2 million in our infrastructure, replacing aging water mains, enhancing treatment facilities and rehabilitating pumping equipment. We also upgraded our systems for interacting with customers and managing their accounts.

Revenues for 2013 were \$69.1 million, down 2.1% from \$70.6 million in 2012. Net income declined 15.7% to \$8.3 million (\$0.94 per diluted common share) from \$9.8 million (\$1.13 per diluted common share) the previous year. Lower water sales of \$1.8 million and increased legal costs of \$0.5 million associated with our litigation against the Chester Water Authority, drove the decline in financial results for the year.

The lower water sales were due to the very wet weather we experienced in the spring and summer. Rainfall in June alone totaled 12.5 inches, breaking a 118-year-old state record. And last summer was our fifth wettest since record keeping began in 1895. Water sales revenues for 2013 declined 2.8% to \$61.8 million from \$63.6 million in 2012. This decrease was partially offset by the \$1.1 million in revenue we received through the Distribution System Improvement Charge (DSIC) in effect in 2013.

The DSIC is a critical mechanism that has enabled Artesian to make significant investments in water distribution system infrastructure to ensure continued reliable service to our customers. Under Delaware's DSIC law, water utilities are permitted to add surcharges

to customers' bills to recover investments previously made in specific types of distribution system improvements. The DSIC rate may be adjusted semi-annually. It is capped at 7.5% of the amount billed to customers between base rate case applications, and at 5.0% within any 12-month period. Effective January 1, 2014, we have a DSIC rate of 3.3%.

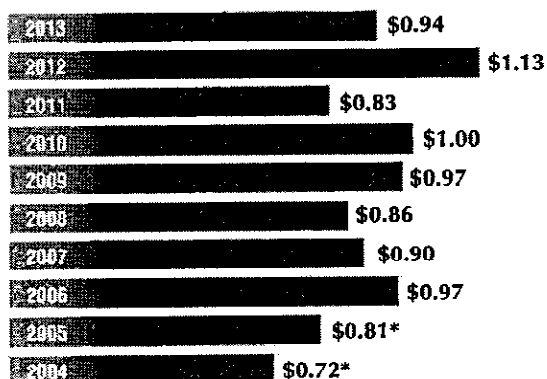
Non-utility revenue for 2013 totaled \$4.0 million, a gain of 4.9% from \$3.8 million in 2012. The increase was due to Artesian's water and wastewater Service Line Protection Plans, which continue to be popular with customers. Plan revenues were up 11.0% for the year, growing to \$2.7 million from \$2.5 million in 2012. At year-end, 26% of our eligible customers were enrolled in the water service plan, and 18% in the wastewater plan. These plans provide coverage (up to an annual limit) for the costs of all material and labor required to repair or replace participants' leaking water service lines or clogged sewer lines.

Annualized Dividend Per Common Share (at Dec 31st)

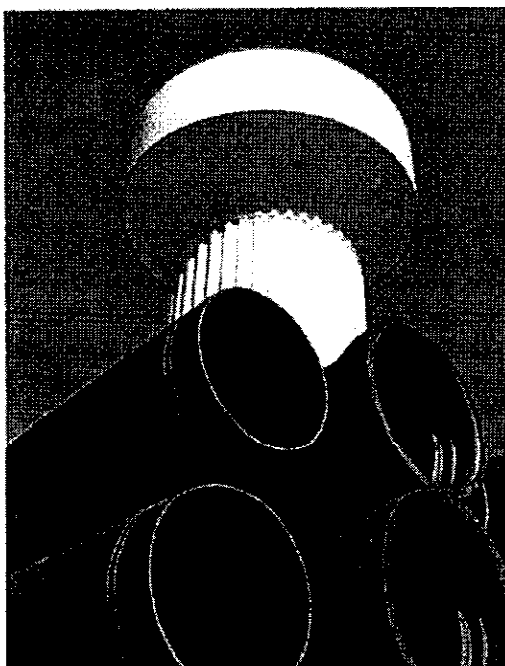
2013	\$0.84
2012	\$0.81
2011	\$0.77
2010	\$0.76
2009	\$0.75
2008	\$0.71
2007	\$0.69
2006	\$0.64
2005	\$0.60*
2004	\$0.57*

* Restated for the stock split May 30, 2006

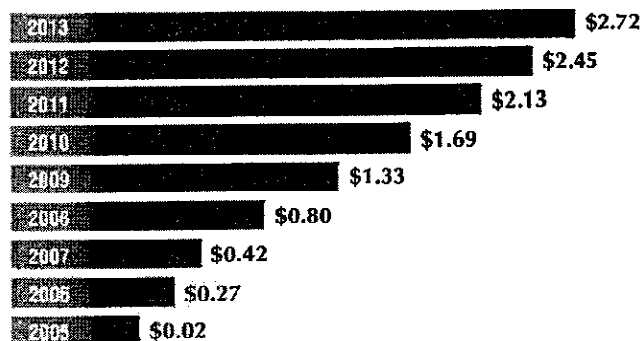
Earnings Per Common Share



* Restated for the stock split May 30, 2006



Service Line Protection Plans Revenue (in millions)



Operating expenses, excluding income taxes and depreciation, increased by 1.5% to \$40.8 million from \$40.2 million. The major contributor to the increase was legal costs associated with our ongoing litigation against Chester Water Authority over the rate the Authority charges for water purchased from it under contract.

We have notified the Delaware Public Service Commission that we intend to file a base rate case for Artesian Water in April of 2014. This base rate case filing will request recovery of investments made in our water system over the past three years, plus recovery of increases in certain operating costs. Our last rate case was filed in April 2011 and settled in November 2011.

Keeping our balance sheet strong is an important goal for us, since a solid financial condition lets us seize opportunities as they arise. Over the last several years, we have financed our infrastructure investments without increasing our debt by utilizing cost-free capital made available by favorable bonus tax depreciation rules. This strategy has allowed us to build and hold in reserve financial capacity to make valuable strategic investments. It has also benefited our customers by reducing the impact of our infrastructure programs on water rates.

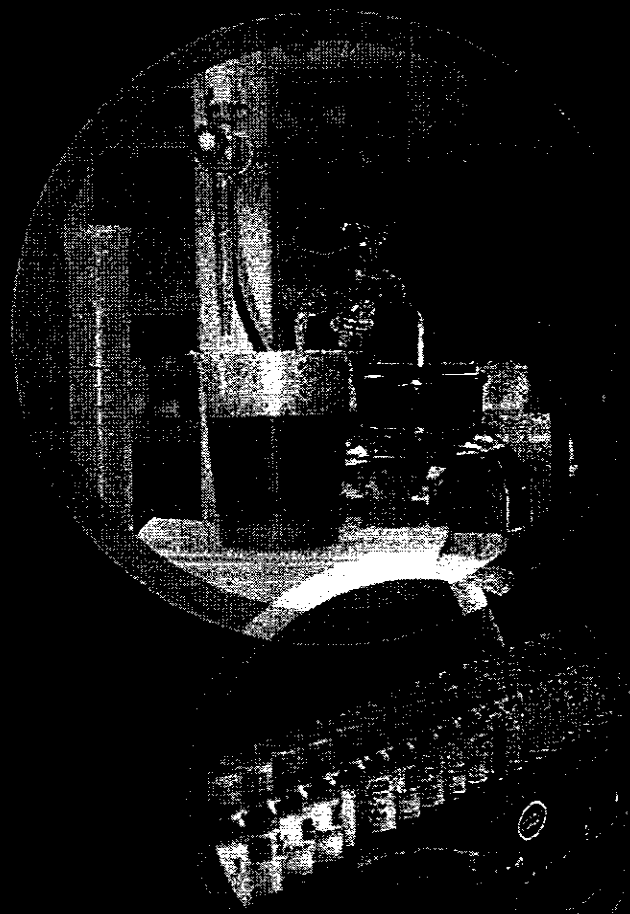
Delivering Greater Value to our Customers

We always strive to better serve our customers. Last year, we completed the transition to a new Customer Care and Billing (CC&B) system, the latest of our initiatives to heighten convenience and efficiency for our customers and to enhance our interactions with them. In 2011, we launched a free e-billing service so customers could view, print and pay their bills online, and in 2012, we converted to monthly billing at customers' request.

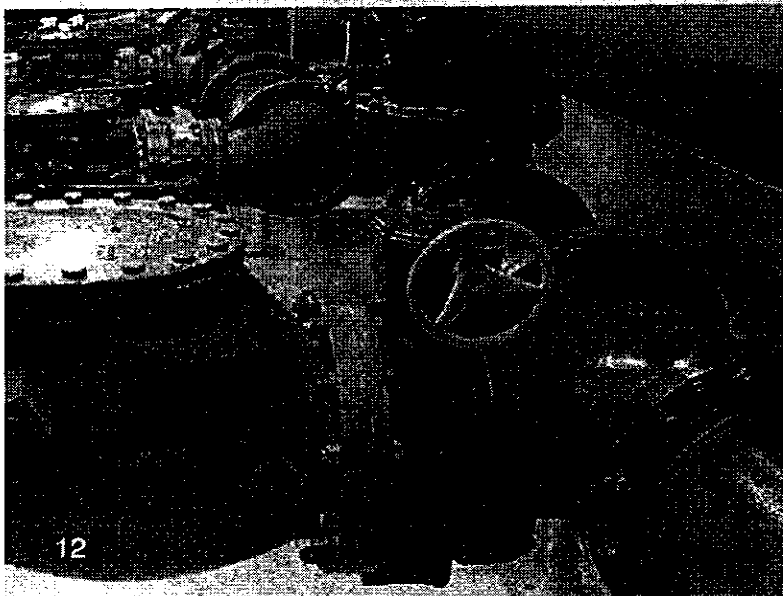
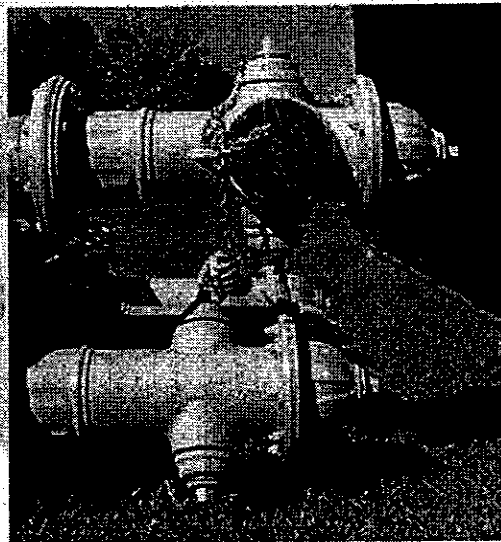
The CC&B system, which was developed and tested over the course of two years before going live in October, is already providing positive results. For instance, this new technology allows our customer service representatives to easily access customer accounts from one main page on our system, shortening the time they need to spend on the phone to respond to customer inquiries.

The foremost way we serve our customers, of course, is to make sure they have uninterrupted access to a safe and abundant water supply. Our program for maintaining, upgrading and extending our infrastructure is vital to this objective. Over the last decade, we have invested over \$250 million in such improvements. In 2013, we spent \$21.2 million on a variety of infrastructure-renewal projects.

One type of project was the replacement of wells. Some of Artesian's wells were constructed in the 1950s and 1960s of precast concrete segments. To ensure that these wells operate safely and efficiently, we have been implementing a proactive plan to monitor and replace them when their performance declines. Over the past few years, we have replaced four such wells with higher efficiency ones, and we plan to



Artesian conducts over 5,000 tests each year in our water quality laboratory, located at our Newark, Delaware headquarters. Our extensive monitoring of water quality is part of our on-going commitment to providing high-quality water to our customers.



replace additional wells over the next 5–8 years. We also monitor the performance of our other production wells to ensure that they too are operating efficiently and at optimal capacity.

During 2013, we completed 11 main renewals in northern New Castle County, installing 30,221 feet, or nearly 6 miles, of new water main. The pipes replaced ranged in age from 40 to 62 years. These projects included the replacement of 328 water service lines that carry water from Artesian's main to residential, commercial and industrial customers and the installation of 40 fire hydrants.

Also in northern New Castle County, Artesian began the Route 7 Booster Station project, which will heighten supply reliability for a major expansion at nearby Christiana Hospital and for the growing Christiana Mall area. Currently, this area is served by the existing Churchmans Road Booster Station, which has been in service for over 50 years. The Route 7 Booster Station is designed to move approximately 5 million gallons of water per day with two pumps each capable of moving 1,800 gallons per minute (gpm) and one spare pump capable of a flow of 1,800 gpm for added reliability. Together with a new 16-inch main, the Route 7 Booster Station will provide essentially the same quantity of water as our existing station. The project is estimated to cost \$4.2 million and is scheduled to be in service by September 2014.

Another major improvement begun in 2013 was the upgrade to our Castle Hills Water Treatment Plant. This facility, in service since the 1950s, needed significant rehabilitation if it was to provide service for many more decades. During the course of construction, improvements will be incorporated in our plant design to improve operating efficiencies. This project should be completed in May of this year.

In southern New Castle County, we installed 13,000 feet of 12-inch water main and 10 fire hydrants near Townsend. With this new piping, we connected our water system in southern New Castle County to our fully integrated water system serving northern New Castle County to the Pennsylvania state line. As a result, we have enhanced water supply reliability and fire protection capabilities throughout our New Castle County water system.

The infrastructure projects we completed in Cecil County, Maryland, gave us an expanded presence in that market. During the year, Artesian became the sole provider of water to the town of Chesapeake City and surrounding areas. We installed 1.6 miles of new 12-inch ductile iron main to provide water to the town from Artesian's Chesapeake City Road plant,

WATER SERVICE FACTS

Population served	approximately 300,000
Metered customers	81,900
Annual production	7.3 billion gallons
Miles of main	1,182
Public fire hydrants	5,703
Active wells	189
Treatment facilities	68
Storage capacity	174 million gallons
Water service territory	280 square miles
Wastewater service territory	25 square miles
Average cost per day for residential water service	\$1.52



which is located in Delaware, and we placed in service an interconnection at the Delaware/Maryland state line. The town decommissioned its two water plants, whose iron removal systems had high operating costs.

Elsewhere in Cecil County, we completed the final phase of a water main project in the Cherry Hill area, installing water lines for properties along Cherry Hill Road to give those residents the opportunity to connect to our water service.

To bring our Maryland facilities into line with our Delaware operations, we installed and upgraded a SCADA system for the Maryland operations. SCADA, which stands for Supervisory Control and Data Acquisition, is a computer-controlled system for monitoring and managing industrial processes. Our Maryland operations now have the ability to interact with one another, and we can monitor them remotely, providing information in a more timely fashion.

Delivering Value to the Community

Artesian and its employees are committed not only to providing superior service to customers, but also to generously serving the community. Among the many endeavors undertaken in 2013, we continued our sponsorship of the Christiana River Watershed Clean-up for the 22nd year. We participated in the annual Summer Blood Challenge for the Blood Bank of Delmarva; delivered hundreds of meals for the Food Bank of Delaware; and contributed gifts for children through the Salvation Army's Christmas Angel Tree Program.

We also continued our program of educating schoolchildren on the value of water. Last year alone, we educated over 1,000 children at 16 different schools. This important program has reached well over 20,000 children in Delaware and Maryland since it began in 1992.

In 2013, Artesian raised over \$30,000 to help restore the Everett Theater in Middletown, Delaware. And in the last three years, we raised over \$81,000 from the proceeds of our annual golf outings for the benefit of the Boys & Girls Club of Cecil County, Maryland, and CHILD, Inc. in Wilmington, Delaware. This would not have been possible without our generous business partners.

Employees participated in events for the American Cancer Society, the American Heart Association, the National Brain Tumor Society, the American Diabetes Association, the Crohn's and Colitis Foundation of America, the Delaware

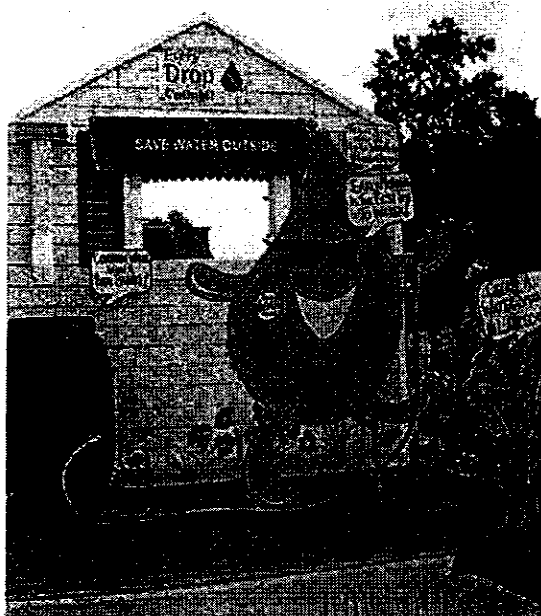
Humane Association, Big Brothers Big Sisters, and the Leukemia Research Foundation, as well as many other organizations.

I want to express my heartfelt gratitude to our dedicated and enthusiastic employees for all that they do for our customers and community. I also wish our recent retirees well and can assure them that their expertise and contributions over the years have been appreciated and that they will be greatly missed. Our thanks to them and the entire Artesian team for helping us grow and succeed.

Dian C. Taylor

Dian C. Taylor

Chair, President & CEO

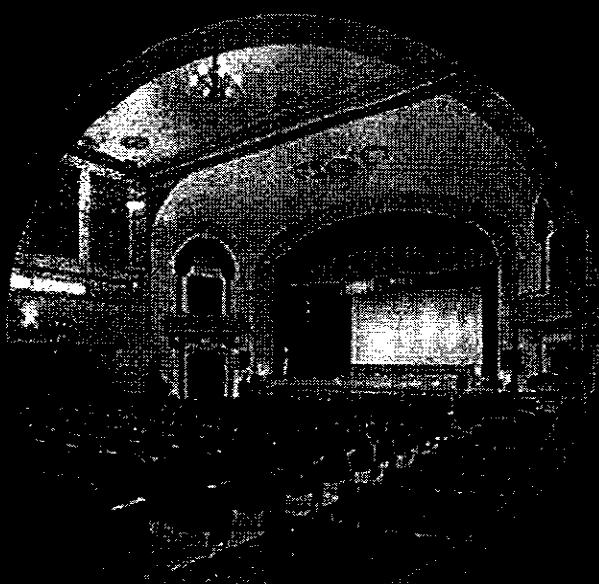


Dian C. Taylor Received Samuel S. Baxter Memorial Award

In recognition of her significant contributions to water management, accomplishments, and her leadership of Artesian Resources Corporation, the Water Resources Association of the Delaware River Basin (WRADRB) awarded Dian C. Taylor the Samuel S. Baxter Memorial Award at their 31st Annual Recognition Dinner in April 2013. This prestigious award recognizes those individuals who best exemplify the characteristics that Samuel S. Baxter exhibited in his long and successful career as a pioneer in water resource management and as the first Water Commissioner of the City of Philadelphia. The award was presented by Delaware's Lieutenant Governor, Matt Denn who said "For over 100 years Artesian has contributed to the growth and vitality of our State. Under Dian's leadership, the education of customers, the general public and school children on water conservation issues and environmental protection have been exemplary. Her community outreach serves as an example of how one person can make a major impact on so many others."



FUNDRAISING EVENTS



Everett Theatre Fundraising Event

In keeping with our community outreach activities, Artesian sponsored a fundraising event to help restore the historic Everett Theatre in Middletown, Delaware. This proud landmark on Main Street was built in 1868 and has entertained generations of families. Over the years, the theatre has gone through several renovations but it had reached the point that not only cosmetic but structural improvements were needed. The goal was to restore the Everett Theatre to its once proud position as a cultural arts destination.

A Wine and Cheese Reception was held last September at Dian Taylor's home in Middletown with over 200 in attendance. With a live and silent auction and with the generous support of our corporate sponsors, the event raised over \$30,000. The success of this event is another small way for Artesian to give back to our community. We are proud of our employees who volunteered and thank our sponsors for helping to restore this Middletown treasure.

Charitable Golf Outing Raises \$36,000

Artesian hosted our third annual charitable golf outing benefitting the Boys and Girls Club of Cecil County, Maryland and CHILD, Inc. of Delaware. On a sunny day last September, 136 golfers joined together to make a difference for these two very special organizations that work hard for the benefit of local children. The event raised a total of \$36,000, with each organization receiving \$18,000, bringing the three year total amount raised to \$81,000. These events are made possible with the generous participation and financial support of our corporate sponsors and Artesian's dedicated employees. This annual event is yet another example of how we support and add value to the community by our involvement in numerous local events and charities.



C. Thomas deLorimier, P.E.
(Tom)



We are pleased to announce that Tom has joined Artesian as Manager of Engineering. He has over 37 years of engineering experience in business development, operational and project management both in the public and private sector. His previous position was with URS Corporation where he was Vice President, Manager and Principal Engineer. Prior to URS he was Deputy Director for the Department of Public Works for Cecil County, Maryland. Tom has administered and directed projects covering the planning, design, and construction of roads, bridges, municipal and public buildings, site development, and water and wastewater treatment plants, sewer and water lines and municipal landfills. He holds a B.S. Degree in Civil Engineering from Virginia Tech University and is a registered Professional Engineer in Delaware, Maryland, Pennsylvania, Ohio, New Jersey and Virginia.



Bruce P. Kraeuter, P.E.

After 24 years of dedicated service to Artesian Resources Corporation, Senior Vice President, Bruce P. Kraeuter retired November 1, 2013. Bruce's career began with the Department of Natural Resources and Environmental Control of the State

of Delaware followed by an engineering position with New Castle County, Delaware. He joined Artesian in 1989 as a Staff Engineer, was appointed an officer of the Corporation in March 1995 and promoted to Senior Vice President in 2009. Over the years Bruce was instrumental in many of the engineering advances that have benefited not only Artesian but the industry as a whole. He helped develop programs for and oversaw the conduct of water supply exploration, treatment, and distribution system improvements. He directed the company's system expansion to accommodate projected growth and oversaw the construction of most water utility plant improvements. He also provided expert testimony in all regulatory proceedings. Bruce became known as an industry expert and in 2010 was appointed to the United States Department of Homeland Security's Water Sector Coordinating Council by the American Water Works Association, an assembly of water experts asked to address the safety of the nation's critical water infrastructure. He was also a member of the Delaware Water Supply Coordinating Council, the Water Research Foundation, and the Delaware Source Water Assessment and Protection Citizens and Technical Advisory Committee. He has served his profession well and we wish Bruce a happy and healthy retirement and thank him for his life-long dedication to ensuring the safety and quality of drinking water.

Three others retire from Artesian:

Paul Reed

Meter Technician, retired with 46 years of service.

Chuck Burchfield

Meter Shop Supervisor, retired with 39 years of service.

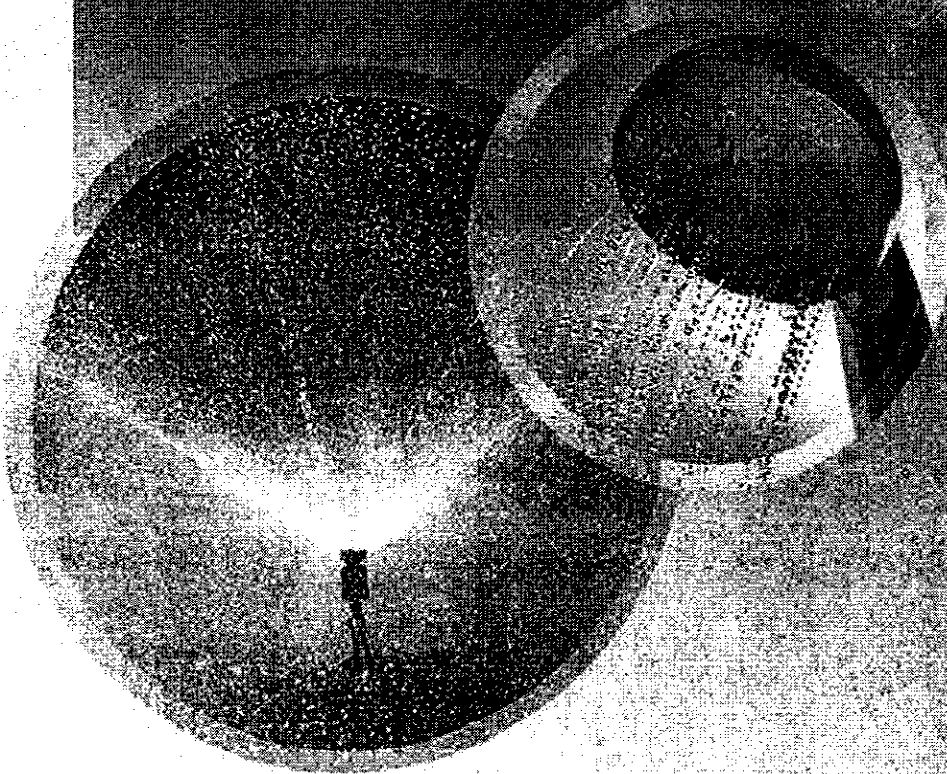
Pat Lawson

Customer Service Representative, retired with 13 years of service.

The Annual Meeting
of Shareholders will
be held on

Wednesday
May 7, 2014
2:30 p.m.

White Clay Creek
Country Club
777 Delaware Park Blvd.
Wilmington
Delaware 19804



Shareholder Inquiries

Shareholder inquiries regarding Class A Non-Voting Common Stock accounts, including transfer requirements, lost certificates and dividend payments, should be directed to:

*Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016-3572
(800) 368-5948
www.rtlco.com*

Shareholder inquiries regarding Class B Common Stock accounts, including transfer requirements, lost certificates, dividend payments and requests for investment materials, should be directed to:

*Nicholle R. Taylor, Senior Vice President
Artesian Resources Corporation
P.O. Box 15004
Wilmington, Delaware 19850
(302) 453-6900 (800) 332-5114
ntaylor@artesianwater.com*

Dividend Reinvestment and Stock Purchase Plan

The holders of record of the Company's Class A Non-Voting Common Stock are eligible to participate in the Dividend Reinvestment Plan. The plan provides for the direct purchase of Class A Non-Voting Common Stock through reinvestment of dividends and/or optional cash payments without any fees. To obtain a copy of the plan prospectus, contact either Registrar and Transfer Company or Artesian directly.

Projected 2014 Dividend Dates

(Subject to the approval of the Artesian Resources Corporation Board of Directors)

Quarter	Record Date	Payment Date
1st	February 10, 2014	February 21, 2014
2nd	May 12, 2014	May 23, 2014
3rd	August 11, 2014	August 22, 2014
4th	November 7, 2014	November 21, 2014

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than historical facts are forward-looking and actual results may differ materially from those projected, anticipated or implied. Please refer to "Item 1A-Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2013, for a description of the substantial risks and uncertainties related to the forward looking statements included in this Annual Report. Past performance of Artesian's Common Stock is not predictive of future returns.

OFFICERS



Seated, left to right

Joseph A. DiNunzio, CPA
Executive Vice President &
Corporate Secretary
Artesian Resources Corporation & Subsidiaries

Dian C. Taylor
President and Chief Executive Officer
Artesian Resources Corporation & Subsidiaries

David B. Spacht
Chief Financial Officer & Treasurer
Artesian Resources Corporation & Subsidiaries

Standing, left to right

Jennifer L. Finch, CPA
Vice President & Assistant Treasurer
Artesian Resources Corporation & Subsidiaries

John J. Schreppler II, Esq.
Vice President, Assistant Secretary
& General Counsel
Artesian Resources Corporation & Subsidiaries

Pierre A. Anderson
Vice President, Information Technology
*Artesian Resources Corporation
& Subsidiaries*

Nicholle R. Taylor
Senior Vice President
Artesian Resources Corporation & Subsidiaries

John M. Thaecker
Senior Vice President
*Artesian Water Company, Inc.
Artesian Water Pennsylvania, Inc.
Artesian Water Maryland, Inc.
Artesian Wastewater Management, Inc.
Artesian Wastewater Maryland, Inc.
Artesian Utility Development, Inc.
Artesian Consulting Engineers, Inc.*

DIRECTORS



Diane C. Taylor
Chair of the Board, President & Chief Executive Officer
Artesian Resources Corporation & Subsidiaries



William C. Wyer
Business Consultant
Wyer Group, Inc.



Nicholle R. Taylor
Senior Vice President
Artesian Resources Corporation & Subsidiaries



John V. Averette, Jr.
Chairman, President & Chief Executive Officer
Artesian Resources Corporation



Kenneth R. Biederman, Ph.D.
Professor (Ret.), Department of Finance
Lerner College of Business and Economics
University of Delaware

Artesian Resources Corporation and Subsidiaries

Artesian Resources Corporation operates as the holding company of our wholly-owned subsidiaries.

Artesian Water Company, Inc. is our principal subsidiary. It is the oldest and largest investor-owned regulated public water utility on the Delmarva Peninsula and has been providing water service since 1905. Artesian Water distributes and sells water to residential, commercial, industrial, governmental and utility customers throughout Delaware. It also provides private and municipal utilities with billing services and operational management services.

Artesian Water Maryland, Inc. was established in July 2007 with the approval of the Maryland Public Service Commission and provides public water utility services to customers in Cecil County, Maryland. The company is an important part of our strategy to be the preeminent provider of public water utility services on the Delmarva Peninsula.

Artesian Water Pennsylvania, Inc. began operations in 2002 and was given approval by the Pennsylvania Public Utilities Commission to expand its service area in 2005. The company provides public water utility services to customers in southeastern Pennsylvania.

Artesian Wastewater Management, Inc. is a regulated entity that owns and operates wastewater facilities in Delaware. The company provides public wastewater services to customers throughout Delaware.

Artesian Wastewater Maryland, Inc. was established in June 2008 and is subject to regulation by the Maryland Public Service Commission. The company is able to provide public wastewater services to customers in Maryland.

Artesian Utility Development, Inc. is a non-regulated operating company that designs and builds water and wastewater infrastructure and provides contract water and wastewater services on the Delmarva Peninsula.

Artesian Development Corporation is the non-regulated real estate holding company of Artesian Resources.